



Auditor of Public Accounts
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Edelen Releases Audit of Laurel County Sheriff's Tax Settlement

FRANKFORT, Ky. – State Auditor Adam Edelen today released the audit of the sheriff's settlement – 2014 taxes for Laurel County Sheriff John Root. State law requires the auditor to annually audit the accounts of each county sheriff. In compliance with this law, the auditor issues two sheriff's reports each year: one reporting on the audit of the sheriff's tax account and the other reporting on the audit of the fee account used to operate the office.

Recent changes in auditing standards require the auditor's letter to communicate whether the sheriff's settlement presents fairly the taxes charged, credited and paid of the Laurel County Sheriff in accordance with generally accepted accounting principles in the United States. The sheriff's settlement is prepared on the regulatory basis, which is described in the auditor's opinion letter. Regulatory basis reporting for the sheriff's settlement is an acceptable reporting methodology, and this reporting methodology is followed for all 120 sheriff settlements in Kentucky.

The audit found that the sheriff's financial statement fairly presents the taxes charged, credited and paid, for the period, April 16, 2014 through April 15, 2015 in conformity with the modified cash basis of accounting.

As part of the audit process, the auditor must comment on non-compliance with laws, regulations, contracts and grants. The auditor must also comment on material weaknesses involving the internal control over financial operations and reporting.

The audit contains the following comment:

The Sheriff's office lacks adequate segregation of duties over receipts. The Sheriff's Office lacks adequate segregation of duties over receipts. This control deficiency is present because one employee is responsible for verifying individual checkout sheets, preparing an office-wide checkout sheet, preparing the daily deposit, and preparing the monthly tax reports. No documented oversight of these processes occurs. To adequately protect against misappropriation

of assets and inaccurate financial reporting, the Sheriff should separate the duties involving preparing cash deposits, preparing daily checkout sheets, and preparing monthly tax reports. In addition, proper segregation of duties protects employees in the normal course of performing their daily responsibilities. If, due to a limited number of staff, that is not feasible, strong oversight over the receipt process should have been performed by the Sheriff or an employee not currently performing any of those functions. Inadequate segregation of duties or the absence of effective compensating controls could result in misappropriation of assets or inaccurate financial reporting to external agencies, such as taxing districts. We recommend the Sheriff separate the duties related to receipt processing, or implement effective compensating controls to offset the effects of this weakness. If the Sheriff chooses to implement compensating controls, he should document his oversight on the appropriate source document. The following are examples of other controls the Sheriff could implement:

- The Sheriff, or his designee, could periodically recount and deposit cash receipts. This can be documented by initialing the daily checkout sheet and deposit slip.
- The Sheriff, or his designee, could periodically compare the daily checkout sheet to the deposit slip and resolve any discrepancies. This can be documented by initialing the daily checkout sheet and deposit slip.
- The Sheriff, or his designee, could compare total tax collections per the monthly reports to the totals per daily checkout sheets and resolve any discrepancies. This can be documented by initialing the monthly tax reports and the listing of daily checkout sheet totals.

Sheriff's response: No response.

The sheriff's responsibilities include collecting property taxes, providing law enforcement and performing services for the county fiscal court and courts of justice. The sheriff's office is funded through statutory commissions and fees collected in conjunction with these duties.

The audit report can be found on the [auditor's website](#).

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